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# SUPERCRETE LTD.

## ANNUAL REPORT 1969

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# **SUPERCRETE LTD.**

**HEAD OFFICE — 222 PROVENCHER AVENUE, ST. BONIFACE, MANITOBA**

**OFFICERS**    *President*, FRANK M. FOWLER, P. ENG.  
                  *Vice-President*, J. HENRY BORGER  
                  *Vice-President*, ALEX ROBERTSON  
                  *General Manager*, BRIAN WHITFIELD, P. ENG.  
                  *Secretary-Treasurer*, FRED DUNSMORE, C.A.

**DIRECTORS**    J. HENRY BORGER  
                      FRANK M. FOWLER, P. ENG.  
                      F. LINDSAY MASON  
                      ALEX ROBERTSON  
                      CHARLES SCHWARTZ, JR.  
                      D. A. THOMPSON, Q.C.

**TRANSFER AGENTS AND REGISTRARS**    MONTREAL TRUST COMPANY  
  Winnipeg, Canada  
  THE BANK OF NEW YORK, New York, U.S.A.

**TRUSTEE FOR DEBENTURE HOLDERS**    MONTREAL TRUST COMPANY  
  Winnipeg, Canada

**SOLICITORS**    THOMPSON, DILTS & COMPANY

**AUDITORS**    PRICE WATERHOUSE & CO.

## ***To Supercrete Shareholders:***

Your Directors have pleasure in presenting the consolidated financial statements of your Company and its subsidiaries for the year ended December 31, 1969, together with the report of the auditors.

During 1969, net sales amounted to \$8,830,224, an increase of 34% over sales of 1968. After providing for depreciation of \$418,079, the net earnings for the year were \$721,090 as compared to net earnings of \$511,000 for 1968, an increase of over 41%. The consolidated statement of source and application of funds for the year ended December 31, 1969 reflects a decrease in working capital of \$262,828. This decrease is mainly the result of expenditures on property, plant and equipment totalling \$988,733 during the year. One of the major capital expenditures completed during 1969 was the relocation of the Company's gravel plant at a cost of approximately \$350,000. The Company continues to maintain a strong liquid position with consolidated working capital of \$1,373,256 at December 31, 1969.

On October 27, 1969, Supplementary Letters Patent were issued under the Companies Act of Manitoba redividing the former authorized capital of the Company of 5,000,000 shares into 1,666,666  $\frac{2}{3}$  shares, in such manner that, subject to provisions relating to fractional shares, each 3 of the said 5,000,000 shares became 1 share. This process is sometimes referred to as a "reverse stock split."

Mr. F. Lindsay Mason, Manager of the Winnipeg office of Montreal Trust Company, was appointed a director of the Company, replacing Mr. Harold T. Martin, who resigned during the year on his assuming other duties at Calgary, Alberta.

The Directors take this opportunity to acknowledge their grateful appreciation to our employees and customers for their respective contributions to the Company.

There are indications that construction activity in the Company's market area will show a decline in 1970 as compared to 1969, and accordingly we are forecasting some decrease in sales volume. While we anticipate the net earnings before tax will be equal to those of 1969, the earnings in 1970 and subsequent years will be subject to income taxes at prevailing rates.

*On Behalf of the Board*

FRANK M. FOWLER  
*President*



# PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

2200 ONE LOMBARD PLACE  
WINNIPEG 2, MANITOBA

February 16, 1970

## AUDITORS' REPORT

To the Shareholders of  
Supercrete Ltd.:

We have examined the consolidated balance sheet of Supercrete Ltd. and subsidiary companies as at December 31, 1969 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A stylized, handwritten signature in dark ink that reads "Price Waterhouse & Co." in a cursive script.

Chartered Accountants.

# **SUPERCRETE LTD. and subsidiary companies**

## **Consolidated Statement of Earnings and Retained Earnings**

*For the Year Ended December 31, 1969*

	<u>1969</u>	<u>1968</u>
Net sales and other income .....	<u>\$8,830,224</u>	<u>\$6,591,576</u>
Costs and expenses:		
Cost of sales, exclusive of depreciation, depletion and amortization shown below .....	7,036,128	5,081,412
Selling, general and administrative expenses .....	616,289	525,611
Depreciation, depletion and amortization .....	418,079	417,342
Remuneration of directors .....	4,500	4,500
Interest on long-term debt .....	34,138	51,711
	<u>8,109,134</u>	<u>6,080,576</u>
Net earnings for the year .....	<u>721,090</u>	<u>511,000</u>
(no income taxes are payable — note 5)		
Retained earnings, beginning of the year .....	<u>1,879,194</u>	<u>1,467,184</u>
	<u>2,600,284</u>	<u>1,978,184</u>
Less — Dividend paid (8c per share; 1968 — 6c per share) .....	<u>132,025</u>	<u>98,990</u>
Retained earnings, end of the year .....	<u>\$2,468,259</u>	<u>\$1,879,194</u>



## DECEM

	1969	1968
CURRENT ASSETS:		
Cash .....	\$ 21,087	\$ 12,742
Accounts receivable (note 3) .....	1,754,076	1,556,917
Inventories (notes 2 and 3) .....	917,834	1,113,695
Prepaid expenses .....	14,317	22,214
	<u>2,707,314</u>	<u>2,705,568</u>
PROPERTY, PLANT AND EQUIPMENT — at cost .....	7,764,876	6,846,857
Less — Accumulated depreciation, depletion and amortization .....	4,840,013	4,492,531
	<u>2,924,863</u>	<u>2,354,326</u>
<i>Approved by the Board:</i>		
ALEX ROBERTSON, <i>Director</i>		
D. A. THOMPSON, <i>Director</i>		
	<u>\$5,632,177</u>	<u>\$5,059,894</u>

# Balance Sheet

1, 1969

## LIABILITIES

	<u>1969</u>	<u>1968</u>
CURRENT LIABILITIES:		
Bank loans, secured (note 3) .....	\$ 456,000	\$ 200,000
Accounts payable and accrued liabilities .....	596,819	549,484
Current instalments of long-term debt (note 3) .....	281,239	320,000
	<hr/> 1,334,058	<hr/> 1,069,484
LONG-TERM DEBT, less current instalments (note 3) .....	73,960	355,316
	<hr/> 1,408,018	<hr/> 1,424,800
LEASE COMMITMENTS (note 4)		

## SHAREHOLDERS' EQUITY

CAPITAL STOCK:		
Common shares — par value 75c each (note 6):		
Authorized — 1,666,666 2/3 shares		
Issued — 1,649,833 2/3 shares .....	1,237,375	1,237,375
CONTRIBUTED SURPLUS .....	518,525	518,525
RETAINED EARNINGS .....	2,468,259	1,879,194
	<hr/> 4,224,159	<hr/> 3,635,094
	<hr/> \$5,632,177	<hr/> \$5,059,894



# **SUPERCRETE LTD. and subsidiary companies**

## **Notes to the Consolidated Financial Statements**

December 31, 1969

### **1. PRINCIPLES OF CONSOLIDATION:**

All subsidiary companies were wholly-owned at December 31, 1969, and all have been included in the consolidated financial statements. These companies were inactive during the year and have no assets or liabilities other than advances to Supercrete Ltd.

### **2. INVENTORIES:**

Finished goods and merchandise .....	\$365,956
Raw materials .....	224,499
Supplies and spare parts .....	120,339
Incomplete contracts, at cost less \$389,845 progress billings .....	207,040
	<u>\$917,834</u>

Finished goods and raw materials are stated on the basis of the lower of average cost or estimated realizable value. Merchandise, supplies and spare parts are stated on the basis of the lower of cost, on a first-in first-out basis, or replacement cost.

### **3. LONG-TERM DEBT:**

	<u>Current Instalments</u>	<u>Long-Term</u>
6% non-convertible subordinated sinking fund debentures .....	\$120,000	\$ 73,960
Bank loan (collaterally secured by 6% serial debentures issued for that purpose) .....	61,239	—
6% notes payable to shareholder due in 1970 .....	100,000	—
	<u>\$281,239</u>	<u>\$ 73,960</u>

The banks hold a pledge of the accounts receivable and of a substantial portion of the inventories as security for all bank loans.

### **4. LEASE COMMITMENTS:**

The company is committed under property lease agreements for periods from three to thirteen years at a minimum annual rental of \$92,500 with options to renew certain leases for further periods up to 30 years at varying rentals.



## 5. INCOME TAXES:

Income taxes of \$380,000 which would otherwise have been payable for the year have been eliminated through the application of tax benefits which arose in prior years. These benefits arose because the company did not claim for tax purposes substantial amounts of depreciation which were recorded in the accounts. As at December 31, 1969, the total amount of depreciation claimed for tax purposes was approximately equal to depreciation recorded in the accounts. As a result, all future earnings will be subject to income taxes at prevailing rates under the Income Tax Act (Canada).

## 6. CAPITAL STOCK:

On October 27, 1969, the company obtained supplementary letters patent under the Companies Act (Manitoba) approving a reverse stock split on the basis of one new common share of 75c par value for three common shares of 25c par value.

# **Consolidated Statement of Source and Application of Funds**

*For the Year Ended December 31, 1969*

### Funds were provided by:

#### Operations:

	<u>1969</u>	<u>1968</u>
Net earnings for the year .....	\$ 721,090	\$ 511,000
Depreciation, depletion and amortization .....	418,079	417,342
	<hr/>	<hr/>
	1,139,169	928,342
	<hr/>	<hr/>

### Funds were applied to:

Expenditures on property, plant and equipment (net) .....	988,733	456,926
Reduction of long-term debt .....	281,239	420,167
Cash dividend to shareholders .....	132,025	98,990
	<hr/>	<hr/>
	1,401,997	976,083
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Decrease in working capital .....	<u>\$ 262,828</u>	<u>\$ 47,741</u>
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